

DATA REGISTRY  
76-5539

21 SEP 1976

Mr. Donald G. Ogilvie  
Associate Director for National  
Security and International Affairs  
Office of Management and Budget  
Washington, D.C. 20503

Dear Mr. Ogilvie:

Enclosed are three copies of CIA's report of progress made to  
implement the Presidential Management Initiatives during September,  
as well as information on travel as requested in your letter of  
September 16, 1976. Ms. Blandin has been quite helpful in devising  
procedures for reporting that respect the sensitive nature of  
intelligence.

Sincerely,

James H. Taylor  
Controller

Enclosures

Distribution:

Original - Addressee, w/enc

- 1 - Marjette Blandin, w/enc
- 1 - DDA, w/o enc
- 1 - DBI, w/o enc
- 1 - DEC, w/o enc
- 1 - LBS&T, w/o enc

- 1 - Compt Chrono, w/o enc
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- 1 - Reading File, w/o enc
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21 Sep 76

1 - IC Staff, w/o enc

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MONTHLY REPORT For September 1976

INITIATIVE: 1

TITLE: Decisionmaking and Departmental Organization

DEPARTMENT/AGENCY: Central Intelligence Agency

RESPONSIBLE OFFICIAL: James H. Taylor, Comptroller TELEPHONE:  25X



MBO Program

Review agency objectives for possible improvement and include those necessary to carry out actions directed by the President.

<u>Action Steps</u>	<u>Estimated Completion Date</u>	<u>Remarks</u>
a. Directorate Submissions	6 September 1976	
b. DDCI Review	22 September 1976	Postponed until DDCI returns to Washington.
c. Provide to OMB Examiner	27 September 1976	Postponed to coincide with OMB examiner's review of FY 1978 budget

INITIATIVE: 2

TITLE: Evaluation of Current Programs

DEPARTMENT/AGENCY: Central Intelligence Agency

RESPONSIBLE OFFICIAL: James H. Taylor, Comptroller TELEPHONE:  25X1

I. Efficiency Evaluations

A. Prioritization of Inspection Requirements (began 1 August 1976)

Ensuring that all components of the Agency are adhering to the restrictions laid down in Executive Order 11905 and the implementing of CIA regulations is among the DCI's most important tasks. The Agency's Office of the Inspector General, which bears primary responsibility for this task, will do an overall survey of all directorates within the next several months to identify components and activities warranting more detailed inspections and to assign priorities to the subjects selected for study.

<u>Action Steps</u>	<u>Estimated Completion Date</u>	<u>Remarks</u>
a. Begin DDO and DDS&T reviews	1 August 1976	Underway and on schedule.
b. Begin DDI and DDA reviews	15 August 1976	Underway and on schedule.

B. SIGINT Study (began 9 August 1976)

A task force is studying CIA's SIGINT missions to develop recommendations concerning the consequences of consolidating the program.

<u>Action Steps</u>	<u>Estimated Completion Date</u>	<u>Remarks</u>
a. Draft interim response on HAC team report	30 August 1976	Report completed. STAT

C. Production Support Activities (to begin 15 September 1976)

A DDI Production Support Task Team has been established to evaluate the centralization of the Directorate's production support functions in one component as a means of improving product quality/uniformity and for possible resource savings. Because a study about reorganization of the production offices contracted to [ ] is due in November, the schedule for a report on the impact of consolidation of production support activities has been rescheduled. Milestones for the new schedule follow.

<u>Action Steps</u>	<u>Milestones</u>	<u>Estimated Completion Date</u>	<u>Remarks</u>
a. Organization meetings	Define parameters of the study	15 September 1976	Meetings held. Terms of reference accepted. Schedule shortened. Research assignments made. Data gathered by committee on word processing. Report is being drafted.
b. Submit report to DDI		1 October 1976	Being expedited.

INITIATIVE: 4

TITLE: Contracting Out and Holding Down Overhead Costs

DEPARTMENT/AGENCY: Central Intelligence Agency

RESPONSIBLE OFFICIAL: James H. Taylor, Comptroller TELEPHONE: 351-4456

B. Travel

We are forwarding reports required in Bulletin No. 76-9, supplement number 1 on control of official travel, as attachment number 1. Plans for achieving travel savings in FY 1977 and 1978 will follow soon.

C. ADP Practices

During FY 1977 CIA plans to initiate additional procedures to improve upper-level management control of the many requirements being placed upon the Agency's central ADP facilities, administered by the Office of Data Processing (ODP), to keep these requirements within the bounds of ODP resource limitations. It is intended that Agency components requiring the use of ODP resources will make their requests within "service-unit" ceilings which their Directorates will have arranged with ODP in advance, under the authority of the Comptroller.

As the year progresses, components' actual use of ODP resources will be compared monthly with planned use by means of an existing automated system which translates ODP machine and personnel resource usage data into serviceunits. When necessary, service-units will be re-distributed on an intraDirectorate and inter-Directorate basis by the Agency's Deputy Directors and Comptroller.

NOTE: Amounts in thousands of dollars.

EXHIBIT  
Bulletin No. 76-9  
Supplement No. 1

REPORT ON FY 1976 TRAVEL COSTS AND SAVINGS IN OBJECT CLASS 21.0  
TRAVEL AND TRANSPORTATION OF PERSONS

PART I. COSTS AND SAVINGS:

Agency	FY 1975 travel costs (actual)	FY 1976 travel costs (actual)		Difference: col. (3) minus col. (1)	Est. of FY 1976 savings based on revised travel plans
	2nd half (1)	1st half (2)	2nd half (3)		
Department of Government					
Central Intelligence Agency	10,060	10,200	9,343	-717	1,082

PART II. DISCUSSION OF METHODS USED TO ACHIEVE ECONOMIES AND SAVINGS:

Careful screening of travel proposals to assure essentiality of each trip, the minimum number of persons traveling and the duration of the trip.  
Continuous reminders to program managers of shortage of funds available for travel and reemphasizing the need to cancel all but essential travel.  
Reducing authorization for car rentals; encouraging use of subcompacts or economy models when auto rental necessary.

PART III. EXPLANATION OF INCREASES .

We estimate that approximately 50% of travel expenditures represent cost of per diem and subsistence rates and 50% represents travel costs such as common carrier fares and mileage allowance:

- \$701 increase in per diem and subsistence rates.
- \$374 increase in common carrier rates and other travel costs.

Although Agency totals reflect a decline in travel costs for second half FY 1976 compared with second half FY 1975, several significant increases in extent of travel were reported by certain components:

PART III. EXPLANATION ON INCREASES (Continued)

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- (\$29) Travel incident to the external investigations of CIA increased travel expenditures in first half FY 1976. In keeping with recommendations by the Rockefeller Commission and the Senate Select Committee the size of the IG Staff was tripled in FY 1976, and a new program of component inspections was undertaken during second half FY 1976.
- (\$62) Unsettled international conditions required significant revisions in [ ] coverage patterns.
- (\$27) State Department requests for additional biographic data collection support and publications procurement support increased the number and duration of field trips.
- (\$20) Greater number of PCS rotations necessary to staff field procurement office.
- (\$110) Increase in travel by personnel recruiters due to closing of field offices. (It should be noted that this increased travel by recruiters has resulted in an over-all savings, such as salaries, office rentals and administrative support.)
- (\$95) Unplanned travel which was associated with implementation of Overseas Personnel Protection plan.
- (\$24) Establishment of a 3-person Regional Security Group [ ] and the increase of two Security Officers [ ]

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CENTRAL INTELLIGENCE AGENCY  
WASHINGTON, D.C. 20505

22 OCT 1976

Mr. Donald G. Ogilvie  
Associate Director for National  
Security and International Affairs  
Office of Management and Budget  
Washington, D.C. 20503

Dear Don:

Enclosed are three copies of the second monthly progress report of the Central Intelligence Agency in compliance with the President's Management Initiatives. The report takes account of the specific requests for supplemental information in your letter of 16 September 1976. I hope that these additional details will provide an adequate response to answer your questions. Let me assure you that CIA will continue to support this effort to improve management in the Federal Government.

Sincerely,

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[Redacted Signature]

James H. Taylor  
Comptroller

Enclosure

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INITIATIVE: 1

TITLE: Decisionmaking and Departmental Organization

DEPARTMENT/AGENCY: Central Intelligence Agency

RESPONSIBLE OFFICIAL: James H. Taylor, Comptroller TELEPHONE: 351-4456

## II. MBO Program

Review Agency objectives for possible improvement and include those necessary to carry out actions directed by the President.

<u>Action Steps</u>	<u>Estimated Completion Date</u>	<u>Remarks</u>
a. Directorate submissions	6 September 1976	Completed.
b. DDCI review	13 September 1976	Completed 4 October 1976. Review postponed pending DDCI return to headquarters.
c. Provide to OMB examiner	15 September 1976	Postponed pending DDCI review. Objectives provided 4 October 1976. Detailed information transmitted to OMB examiner 15 October 1976.

## III. Decisionmaking

Develop and utilize checklist approach to decisionmaking.

<u>Action Steps</u>	<u>Estimated Completion Date</u>	<u>Remarks</u>
a. Distribute OMB Guidance	15 August 1976	Proposed checklist discussed by Comptroller with DDCI and four Deputy Directors on 18 August; OMB guidance on checklist sent to meeting participants same day.
b. Review usage and utility	14 October 1976	Usage and utility of decision-makers' checklist approach was reviewed at the morning meeting of senior Agency managers. There was general agreement that the approach, somewhat modified for the unique requirements of the Agency, added a useful dimension to other aspects of the decision-making process.

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INITIATIVE: 2

TITLE: Evaluation of Current Programs

DEPARTMENT/AGENCY: Central Intelligence Agency

RESPONSIBLE OFFICIAL: James H. Taylor, Comptroller TELEPHONE:

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## II. Efficiency Evaluations

### B. SIGINT STUDY

<u>Action Steps</u>	<u>Estimated Completion Date</u>	<u>Remarks</u>
a. Draft interim response on HAC team report	30 August 1976	Interim report completed.
b. Coordinate response with IC Staff and NSA	30 September 1976	Coordination underway.
c. CIA position paper to be complete	12 November 1976	Deadline set by Executive Advisory Group, to dovetail with need to develop joint CIA/NSA paper by 1 January 1977.

### C. Production Support Activities

A DDI Production Support Task Team was established in September 1976 to evaluate centralization of the Directorate's production support functions in one component as a way to improve product quality and uniformity and to save resources.

<u>Action Steps</u>	<u>Estimated Completion Date</u>	<u>Remarks</u>
a. Organization meetings	15 September 1976	Meetings held. Terms of reference accepted. Research assigned. Data gathered. Report being drafted.
b. Submit report to DDI	2 November 1976	Date changed to permit exchange of data with outside contractor doing study of alternative reorganization schemes for DDI.

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## D. Persian Gulf Station Review

The regular evaluation process of the Operations Directorate identified certain stations in the Persian Gulf area that could be closed because they appeared only marginally productive.

<u>Action Steps</u>	<u>Estimated Completion Date</u>	<u>Remarks</u>
a. Study initiated to determine if efforts should or could be made to improve productivity or whether one or more should be closed.	1 July 1976	Study begun on 1 July 1976 and in progress. Initial findings presented at Division level.
b. Forward report to DDO	1 December 1976	To be included in participation in Congressional budget exercise.

## E. Review of China Reporting

The regular Operations Directorate evaluation process identified possible redundant reporting between the overt collection of the Domestic Collection Division and the clandestine collection of other Operations Directorate components on the People's Republic of China.

<u>Action Steps</u>	<u>Estimated Completion Date</u>	<u>Remarks</u>
Study initiated to identify subjects and topics covered by both systems, and to develop recommendations to eliminate needless redundancy, and to strengthen areas of unique reporting.	1 October 1976	Study in progress.

INITIATIVE: 4

TITLE: Contracting Out and Holding Down Overhead Costs

DEPARTMENT/AGENCY: Central Intelligence Agency

RESPONSIBLE OFFICIAL: James H. Taylor, Comptroller TELEPHONE:

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## II. Overhead Costs

### A. Overhead Cost Identification System

Overhead costs are routinely recorded and monitored through the budgetary system of financial reporting, approvals and controls administered by the CIA Comptroller. Agency-wide analyses, including analyses of overhead costs, are performed as required by the Resources Staff of the Office of the Comptroller. Further support to the Comptroller is provided by analyses of costs of support services done by each functional component responsible for delivering that service. Management of such services is located within the Administration Directorate. The following are just a few examples of such overhead cost analyses: The Contract Review Board in the Office of Logistics has responsibility for contract management of purchase orders and contracts for supplies and services. The Office of Data Processing serves as the Agency's focal point for review (including cost-benefit analysis of alternatives) and coordination of all automatic data processing acquisitions originating with other Agency components. In the case of GSA-provided services, the Real Estate and Construction Division of the Administration Directorate is the central point for analysis and verification of Standard Level User Charges as they apply to CIA headquarters and to field locations

### B. Travel

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The following are methods and procedures that will be taken during 1977 to minimize travel costs and eliminate nonessential travel:

--Overall management of travel by Agency employees:

- the Travel Policy Committee will review and evaluate Agency travel policies to improve efficiency, reduce costs, and facilitate equity and consistency in the execution of travel policy and regulations;
- each authorizing official at the component level has reviewed annual travel plans and will during the year evaluate individual travel requests to determine the need for travel, alternatives to travel, the most economic means of travel, and the duration of time a traveler spends at the destination; and

- all travel will be authorized within the policies of Agency notice [ ] disseminated in February 1976 (submitted to OMB in August) and the guidelines of OMB Bulletin No. 76-9, Supplement No. 2, Methods and Procedures for Curtailing Official Travel and Reducing Travel Costs.

--Measures to be taken in addition to the above:

- monthly reviews of upcoming travel will be held by authorizing officials to revalidate travel requirements and eliminate non-essential travel;
- some recruiting activities, investigation of some Equal Employment Opportunity complaint cases, as well as counseling by EEO officers may be conducted over open or secure telephone lines rather than by travel;
- commensurate with legal, operational and security requirements, EEO counseling will be conducted by in-country counselors;
- to the extent feasible, lengths of tour for overseas stations will be examined for extension beyond two years;
- approval of two consecutive tours of duty with home leave to reduce costs associated with permanent changes of station will be considered;
- in selected cases, employees may be authorized to proceed from one permanent change of station assignment to the next without reporting to headquarters for administrative processing or training;
- compact car rental policy will be strictly enforced;
- maximum use will be made of GSA-sponsored car rental facilities;
- student group travel will be reviewed to ensure that it is essential to the completion of a course or seminar and has as its destination a location as close as possible to where the course is being conducted;
- when possible, manufacturer or contractor instructors will be brought to the headquarters area to teach, thereby saving the cost of sending several employees on temporary duty to the instructor's place of business for instruction; and
- more self-administered training courses will be designed for use by employees overseas, thereby reducing temporary duty travel to headquarters for training.

C. Telephone Equipment and Usage

Proposed steps to achieve savings in telephone equipment and usage in 1977.

- To make employees more aware of the costs of leasing of telephone facilities, Agency notices will be published highlighting the charges involved with providing the following services: installation and relocation or telephone instruments and lines; dial "9" local calls; Wide Area Telecommunications Services (WATS); and non-published telephone service.
- To determine if items of equipment and facilities may be surplus to our needs, the Chesapeake and Potomac Telephone Company will be asked to conduct traffic studies of main and satellite switching facilities. Providing satisfactory service can be maintained, surplus equipment will be discontinued.
- All invoices for non-published telephone long distance calls will be monitored to ensure that non-published lines, which are more expensive than WATS facilities, are used only for cover purposes.
- Administrative and support officers will conduct surveys of their divisions and staffs to identify items of telephone equipment and facilities that are surplus and can, therefore, be discontinued.

INITIATIVE: 5

TITLE: Personnel Management

DEPARTMENT/AGENCY: Central Intelligence Agency

RESPONSIBLE OFFICIAL: James H. Taylor, Comptroller

TELEPHONE: 

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III. Position and Classification Management

One of the results of the review of the 1978 program in July 1976 was recognition by senior management of the Central Intelligence Agency of the need to have even more precise knowledge of how our present position allocations relate to individual substantive assignments. This has called into question the applicability of the present system of occupational coding.

The objective of the inventory is to determine in detail, for each component: (1) relationships between personnel carrying out missions and functions and those performing supervisory, administrative and supporting roles, (2) the number of supervisory echelons overlaying functional components, and (3) the relative distribution of personnel resources to substantive intelligence targets.

<u>Action Step</u>	<u>Milestone</u>	<u>Estimated Completion Date</u>	<u>Remarks</u>
Conduct inventory of personnel	Devise questions to be answered by inventory.	30 October 1976	Schedule revised to avoid interference with DDI organizational review.
	Plan implementation of inventory and make tentative work assignments.	15 November 1976	
	Complete directorate inventories.	15 December 1976	
	Compile results.	1 February 1977	
Review inventory for evidence of excessive layering or subdivision	Complete review	15 March 1977	
	Develop recommendations	15 April 1977	
Review personnel classification system in light of inventory results		30 April 1977	

Establish guide- Review inventory to  
lines for "assist- determine current  
and to" positions situation.

30 April 1977

15 June 1977

Develop any necessary  
new guidelines.

Adjust personnel  
classification  
system as necessary

30 September 1977

#### IV. Productivity Measurement

The listing of areas in which productivity measurement is applied within CIA that was included in our 24 August report was a sample only; in one form or another, productivity measurement is used throughout the Agency. Of the many other activities on which data are compiled, the following may be of particular interest.

The Operations Directorate uses the framework of the Management by Objectives system to measure the quantitative output of the component offices of the Directorate and to assess accomplishment of Directorate-wide objectives. This effort is complemented by regular evaluative processes which provide the qualitative dimension. Specifically, intelligence reports are regularly graded for quality. These data are computerized and then analyzed by reporting priorities that are established for the Directorate in answering the key intelligence questions that drive the national intelligence effort. Accumulation of these data bases allows comparisons of current performance with past performance and helps management plan for future intelligence collection. Further evaluation is provided by regular, systematic gathering of evaluative comments from the customers of intelligence, both inside and outside the Agency.

The Operations Directorate also maintains a computerized data bank for audio operations that permits measurement of the productivity of specific operations, various techniques and types of targets, in terms of both graded intelligence disseminations and operational data produced. Financial data input into the system yields cost/result analysis. This evaluation process covers all audio programs and is conducted at least twice a year.

In the offices that produce finished intelligence, productivity is routinely monitored through a system of quarterly production plans and reviews of contractual actions. These reviews permit focusing research and analysis on those developments requiring the attention of the professional intelligence officer, and they permit a concurrent assessment of the alternative of external assistance for the most economic approach to a given intelligence problem.

From time to time, external and internal studies are undertaken to determine if organizational structure and work procedures can be altered to increase productivity and improve efficiency: this is now going on in the DDI, where an internal study of the merits of combining production support components is being complemented by an external contractor who is to recommend organizational realignments of the production offices to increase the quality of their outputs.

A final example of productivity measurement is the Agency's exploratory research and development program, which reflects the conscious management decision to apply high technology equipment and procedures to enhance many phases of the intelligence process. Virtually all the research projects involve development of new, better, faster, or easier-to-use equipment, techniques or methods of analytic work. At each step of this process, productivity measures appropriate to the specific task are used to evaluate effectiveness of the R&D product to the intelligence need.

It is, of course, in the fields of clandestine activities and substantive intelligence production that productivity measurement must be approached with the greatest care. In these fields, quality criteria are far more important, and more difficult to compile and judge, than quantitative data. Moreover, CIA is constantly involved in preparing for contingencies--contingencies that in many cases will not arise if Agency programs are effective.

The development and compilation of productivity data in the Agency is a process that is fully integrated into both budget development and management evaluation and control. In each Directorate, management control during the operating year and development of staffing and budget proposals for future years are carried out concurrently, primarily through periodic reviews of component performance and plans conducted by the Deputy Directors. Given the extreme personnel pressures under which CIA is now operating, productivity measurement data has proved invaluable both for identifying programs of marginal utility that can be considered for elimination and for identifying areas in which rising productivity offers opportunities for reducing staffing levels. The two reviews of DDO reporting referred to in our earlier report on efficiency evaluations are illustrative of the first type of use. The very substantial reductions in Communications personnel that have been made in the face of the rapid growth of the workload of the communications network over the past several years are a particularly good example of the second kind of use.



DD/A Registry

76-5467

28 October 1976

MEMORANDUM FOR: Senior Agency Managers

SUBJECT: Recent and Potential Changes in CIA Management

1. During the four months or so that I have been DDCI, I have been devoting a great deal of my time and attention to the charge given to me under terms of the President's Executive Order 11905, to provide for the day-to-day operation of the Agency and, at the same time, meet Director Bush's charge that I concert the Agency as one institution rather than have a collection of separate components. Accordingly, I have had discussions with the Deputy Directors, heads of offices, and many others in the Agency on a number of very large and troublesome issues. What are our most serious and pressing problems? How should we attack those problems and in what order? What sorts of solutions seem most promising? In short, we have been grappling with questions about the past, present, and future management of CIA.

2. At this juncture, we still have far more questions than answers, but we have covered a fair amount of territory. Some ideas that were amorphous a few weeks ago are beginning to take on shape and substance. Some others have died a well-deserved death. I want to set forth here, in considerable detail, just what we have done, what is under active consideration, and what is not--in part for your information but more importantly to give you a source of readily available, authoritative answers to the many questions you are being asked by your co-workers and subordinates. Rumors are a natural and inescapable consequence of changed leadership and new perspectives, but we would like to feel that we have done everything we can to keep all our employees as well informed as possible on the facts, so that we can avoid the unnecessary personal uncertainty and institutional disruption that comes from ill-founded speculation.

3. Within days of being sworn in, I reviewed the proposed 1978 budget and--working with the Deputies and the Comptroller--made some difficult decisions about the distribution of people and funds. In that review, a number of fundamental problems became apparent, notably our need for an effective central planning and evaluation mechanism, our lack of precise knowledge about the functions and specialities of our people, the absence of any coherent policy that would ensure

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the maximum effective use of building space in the Washington area, the need for a clearer definition of our requirements for covert action capabilities in the future, and the need to better control ADP costs. Actions to remedy these deficiencies were put in train immediately after the Program Review, and those actions have subsequently been integrated into the management system we are evolving.

4. As you know, the Executive Advisory Group was established on 22 June, replacing the former Management Committee. I serve as Chairman, the Comptroller as Vice Chairman. The four Deputy Directors and the General Counsel are full-time members, and in addition the EAG is augmented by others on specific topics on an ad hoc basis. EAG usually meets twice weekly (Tuesdays and Thursdays) to consider major Agency-wide issues and to set the stage for policy and planning decisions. In making these decisions, I confer daily with Director Bush who, of course, remains the authoritative head of our Agency.

5. One overriding issue has been the thread connecting virtually every EAG session to date: What are the goals of CIA? We began with the conviction that we had to decide just what needed to be accomplished by CIA within the next year or so before we could reasonably expect to be able to achieve anything substantial. And, since almost every change made to date—whether organizational or in the nature of special assignments for a dozen or so individuals—has been in response to one or another facet of the goals question, we have structured the progress and prospect report that follows around the five goals upon which the EAG has agreed and the more numerous specific questions we have committed ourselves to address in the next several months.

Goal: We must sharpen our capability to give policy-makers what they really need.

6. Put so baldly, the single most urgent requirement facing the Agency sounds like nothing more than a truism. But the EAG is addressing itself to a great many fundamental questions about our service to our customers that have not, to date, been satisfactorily answered. In the analytical field, we are concerned with improving our ability to interpret all consumer needs, determining how we can satisfy the growing substantive intelligence needs of Congress, figuring out how CIA elements can maintain and strengthen links to customers when customer relations responsibilities have been assigned in large part to the NIOs, ensuring that we maintain and strengthen both our basic research capabilities and our ability to respond rapidly to the immediate needs of policy-makers, and creating a mechanism that will ensure that the low-probability but high-impact analytical hypothesis is brought to the attention of policy-makers. We are looking for ways to improve performance of our crisis management and strategic warning responsibilities and to make our products more widely available.

8. Although we are still adding to the list of questions to be faced, we have begun to take specific steps aimed at obtaining some answers in fairly short order. The DDI, Dr. Sayre Stevens, has presented several 25X1 alternative organizational and procedural proposals that would reshape the components that produce finished intelligence and enhance their ability to provide the new kinds of product being sought by customers. A related question is whether any reorganization should include integration of the two DDS&T production offices--the Office of Weapons Intelligence and the Office of Scientific Intelligence--with those now in the DDI. An outside consulting firm has been engaged to give us independent recommendations. We intend to reach some firm decisions on the organization and procedures of the production offices by the end of this year.

9. Once these fundamental questions about organization have been settled, Dr. Stevens will turn his attention to other, more specific, questions such as those about customer relations, Congressional needs, and wider dissemination of the product. We currently plan to address these matters in the EAG early in calendar 1977.

25X1 10. I have assigned [ ] as my Special Assistant with the responsibility for recommending changes in our crisis management and strategic warning procedures in an effort to improve our performance in these neglected areas. The EAG expects to review the results of his study in March. In addition, because of the urgency and magnitude of the international terrorism problem, I appointed Cord as the centralized point of reference in the Agency with which the Department of State can deal on intelligence matters concerned with terrorism. He is in direct contact with Ambassador Douglas Heck, Coordinator of the President's Cabinet Committee to Combat Terrorism.

14. One of the fundamental questions about the relationship between CIA programs and other Community programs involves Signals Intelligence-- SIGINT. This issue has been raised repeatedly in the past; it has been resurrected most recently by the House Appropriations Committee. As a result, a special three-man task force was established in July. [redacted] serves as the Chairman and is assisted by [redacted] and Jim Hirsch from Office of ELINT. The three-man team is examining all Agency COMINT and ELINT activities and will provide us with recommendations on which specific programs are essential to the missions of this agency and which are principally contributors to national needs and could as well be managed by some other community organization. The task force is also looking at the organization of the SIGINT effort, [redacted] [redacted]; it will give us recommendations for reorganization of activities that should remain solely

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in the CIA program. And it is looking at ways that SIGINT from other community elements could better serve the needs of CIA. The task force has met with the EAG five times so far; its final recommendations are due by the end of January 1977, and they will be the basis for a report to the DCI, the CFI, and the Congress on what changes, if any, we propose to make in time for implementation by 1 October 1978.

15. An obvious question that arises after addressing these issues is the future size, shape and direction of the Directorate for Science and Technology. At its first meeting, the EAG considered a proposal for dispersing the functions of the Office of Research and Development to other components but decided against it, believing that the possible damage to basic research outweighed the personnel savings that would have resulted. We are not yet taking any other specific steps to consider the future of the Directorate; until we have decided what to do about OWI and OSI and what to do about that portion of the SIGINT effort now housed in DDS&T, any such action would be premature.

16. Another aspect of the performance problem is space. Work areas should be an incentive; they should enhance our efforts, not hamper them. I am concerned about the apparent inequities in both quantity and location of space. Mr. John Blake, the DDA, has given the EAG a factual presentation on the current situation, and he has been charged with developing an overall policy statement to guide future space decisions.

Goal: We must establish an effective Agency management process that will enable us to coordinate and integrate activities of all directorates and make effective plans for the future.

17. The specific questions being addressed in reaching for this goal involve mechanisms for near-term decisions and for better planning. In accordance with the DCI directive, we need to ensure that the Agency is one organization, not four. We must in the near term develop evaluation techniques that will assist us in resource allocation and assure ourselves that we can make trade-off decisions wisely. And we must prepare ourselves for making the "right" decisions about investments in future capabilities. To do this, we have to develop better, more specific ways of projecting the intelligence requirements of the 1980s. We need to decide rather soon what satellite  systems will be needed, as well as what kinds of collaborative DDO/DDS&T operational efforts will be required and how such joint efforts can best be managed.

18. A number of changes, beginning with establishment of the EAG, have already been made in our efforts to improve Agency management and planning. The Comptroller's Meetings, through which month-to-month decisions on resource allocations are made throughout the year, have been folded into the regular EAG cycle. The former Collection Guidance and Assessments Staff

has been moved from the DDI to the Office of the Comptroller, to ensure that there is a direct relationship between resource decisions on the one hand and intelligence judgments and requirements on the other. Renamed the Requirements and Evaluation Staff, this group will henceforth have greater access to internal evaluations of all Agency components and will have a ready channel for making a collective judgment to the Executive Advisory Group. The Office of the Comptroller has been further expanded by the addition of the former NIO for Special Activities—now the Special Assistant to the Comptroller for Strategic Intelligence (SA/SI). The particular responsibility of the SA/SI [redacted] is to ensure that the Agency takes well-conceived and carefully directed cross-directorate approaches to difficult collection problems involving a combination of technical and clandestine techniques. [redacted] has met twice to date with the EAG, to report on projects currently underway and to discuss possible approaches to managing future projects. As a result, a new project management approach has been agreed to.

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19. One major management issue is personnel levels. We face many conflicting demands for personnel increases, and I want to be able to consider such demands in the light of the overall personnel balance. As a first step in that direction, the Comptroller and the DDA are developing guidelines for an inventory of our current uses of people, since we must know what the balance is before we can decide whether it is appropriate.

20. Concurrently, the DDS&T, Mr. Leslie Dirks, has been charged with proposing procedures for developing more concrete ideas of future intelligence challenges and the possible requirements for major new systems in the next decade. Both technology and the nature of the intelligence questions we face are changing very rapidly. Moreover, the restrictions placed on the clandestine collection activities of the Agency by E.O. 11905, make it apparent that we must turn increasingly to technical collection systems for fulfillment of our analytical requirements in certain areas.

21. We are trying to take the first step toward development of a better planning process in the next two months. One result of the new organization of the Intelligence Community structure is that we will henceforth receive guidance figures on our total permissible budget from the Committee on Foreign Intelligence before the budget is first compiled by the components. Using the preliminary figures for 1979 developed by the components as part of the 1978 Program Review, we plan to have one or two EAG meetings in December that will consider the major policy questions that will arise in connection with the 1979 Program. The idea here is to guide the development of that budget in advance so we can be sure it will be a vehicle for achievement of specific, well defined objectives and not simply an extension of current trends. Given the fact that major changes are taking place that undermine the premises upon which preliminary 1979 plans were formulated, both the components and the EAG will have considerable difficulty in addressing an overall strategy. But by the combined efforts of the EAG members a workable program can be effected.

22. The period of intensive investigation and public attention to the Agency has ended, but we have a great deal of work to do to improve our Congressional and public relations. We need to strive for far more than simply reestablishing the level of communication and understanding that existed before 1975. We must adjust to a whole new way of life. We will be living with a far more intensive level of Congressional oversight than in the past, and we have recognized that there is a new legitimacy to reasonable degrees of public scrutiny of American intelligence. We are confident all of these adjustments can be made without disclosing sensitive intelligence sources and methods--disclosures which would inflict unacceptable damage on us. As a matter of fact, we will be pressing ahead with the new Congress to get stronger secrecy legislation to protect sources and methods.

23. The investigations and reviews have made American intelligence--what it is and what it is not--a fit subject for public consideration. Right now, the public mood appears supportive of intelligence activities but the public wants them to be well advised and controlled. The Director and I, recognizing the need for public understanding of our mission and roles, believe it is advisable and necessary to continue to speak openly and candidly about the CIA and the Intelligence Community, once again without violating secrecy and the need to protect intelligence sources and methods. To assist in this important task, Mr. Andrew Falkiewicz has joined us as Assistant to the DCI and is taking a fresh look at how best to address it.

24. As to media relations, Mr. Falkiewicz has been named chairman of a new Publications Review Board which will look at unclassified articles proposed for publication in open literature by CIA personnel. The Board will review articles not only for security implications but also for an assessment of potential public impact. The general charge is to ensure that we are at one and the same time more forthcoming with information and more alert to the potential consequences of what we provide. We intend to review existing policies on both public and press relationships in the EAG in early 1977.

25. Good working relations have been established with the new Senate Select Committee on Intelligence. Experiences with the Committee members have been uniformly encouraging, particularly with regard to the Committee's understanding of the need for secrecy and security, and personnel throughout the Agency report favorably on their initial contacts with the Committee and its staffers. The Senate Appropriations Committee has recently appointed a full-time staffer, Mr. James Fellenbaum, to handle intelligence--a development that provides us with the opportunity for developing a strong relationship with the second of the two key committees in the Appropriations process. The Legislative Counsel, Mr. George Cary, has had a couple of discussions with the EAG on recent developments in the Congressional relations area, and he has prepared a draft notice on procedures for coordination of Congressional relations that will be reviewed by the EAG.

Goal: We must strengthen our command and control arrangements to ensure that we are protected from improprieties.

26. Underlying this simple-sounding goal are a number of very thorny questions. Intelligence is a business in which originality, imagination, and risk-taking are essential ingredients of success. But we are—and want to be—part of a uniquely American system which depends for its strength on the rule of law. How can the inherent creativity of our people be enhanced while all of us are assured of the legality and propriety of our actions? What can we do to reconcile operational demands with legal restrictions? Internally, what combination of regulations, guidance, inspection, review and reporting will protect our integrity without degrading our effectiveness?

27. As one early step toward answering some of these questions, the Inspector General, Mr. John Waller, has formulated and the EAG has approved an initial short-term IG inspection plan that will cover all components and identify potential problem areas for more careful study. These initial inspections will be completed by the end of this year. In addition, the General Counsel, Mr. Anthony Lapham, will discuss with the EAG his proposals for improving guidance on legal restrictions—proposals based primarily on the concept that we should develop specific, detailed guidance for each category of Agency employees facing a particular set of problems, rather than attempt to develop general guidance for all employees on all possible problems. In a third phase of this effort, Mr. Waller and Mr. Lapham have jointly alerted the EAG to the set of potential problems growing out of real or apparent conflicts between operational requirements (e.g., cover considerations) and local—as opposed to Federal—laws and regulations. The EAG has set up a task force (led by Mr. Lapham and consisting also of the four Associate Deputy Directors, the Assistant Comptroller for Resources,  of my office, and Mr. Waller) to provide an interim report by 4 November on the following matters:

- how we should impart keener awareness of Headquarters regulations to all employees in order to ensure that we remain within our established operating framework;
- how we can ensure that each group of employees gets all the guidance it needs and a minimum that is irrelevant to its needs;
- what further steps we can take to guarantee individual employees ample opportunity to surface problems that trouble them;
- how we can improve the communication of additional guidance as appropriate from top management to individual employee; and
- what steps we should take to deal with the problem of possible conflict between operational needs and established laws.



28. Another question facing the EAG is the appropriate role of CIA in assisting foreign governments in procurement actions undertaken in the U.S. To date, each such case has been handled as it arose, without specific guidelines. This is one of many areas in which I would like to see some broad policies and regularized review processes develop, so we do not find ourselves with commitments and involvements that subsequently prove detrimental to CIA. The EAG has asked the DDA to draft a proposed statement of policy, including explicit criteria for our involvement, and accompanying proposals for a review process; we expect to review his proposals in the EAG in December.

Goal: We must improve our personnel policies for the benefit of the Agency, its employees, and its applicants for employment.

29. This last goal is in fact one essential for development of all the others. Our basic resource and key to success is people—and that means individuals, not some abstract—like positions, or some aggregate—like intelligence officers or secretaries. We must, of course, continue to hire the best possible people in the first place. But we want to ensure that we do everything possible to capitalize on the strengths of each individual. The EAG will be taking a very hard look at all the personnel policies and practices that have developed over time. We want to promote career development opportunities and early-career training and assignment practices. We want to relate the intelligence needs of the 1980's to the hiring decisions of the present. We will look at the existing career service structure, to determine if it truly serves our needs; in a related area, we will continue to take advantage of opportunities for cross-directorate experience. We want to develop means for giving greater recognition to superior individual performance and clearly establish means for early recognition of less than adequate performance.

30. We will continue to give very special attention to our EEO program. The record of the last several years has been poor, but we are determined to improve in this area. The Office of Personnel has been directed to take concrete steps in the EEO area. The most important single decision that shapes our EEO progress is the decision on who is hired and who is not; for minority applicants, that decision will now be made by the Deputy Directors, and they will be directly accountable to me for their decisions. In addition, I have instituted a new system under which the Deputies report directly to me, in detail and on a quarterly basis, on EEO progress.

31. As a first step toward tackling the general personnel issues, which are important to every Agency employee, the DDA provided the EAG with initial recommendations on October 20. In that meeting, the EAG approved a proposal for EAG review of nominations to key operating positions, and the Office of Personnel and the Comptroller have been charged with developing a system. In addition, EAG asked Personnel

to formulate detailed proposals on uniform promotion and separation policies and on the supervisor's role in training and developing newly hired employees. We will also be looking more closely at rotation policy and our personnel mix. We expect to make changes in these areas, but not precipitate ones. We have evolved our existing practices over many years, and we are not interested in change for its own sake. We want to be sure that the new approaches we take to these old problems are significant improvements.

32. In a slightly longer time frame, the EAG also wants to look at all current Agency training programs, to make sure that they are relevant to the needs of our employees. And we want to look at an area of particular interest to me--the question of whether there is a real or perceived difference in status accorded those in our service elements and those in our more widely known collection and production elements and, if so, what can be done to end that difference. We currently plan to address these issues in the EAG in early 1977.

#### What has really changed?

33. With all the references above to studies, proposals, pressing questions and as yet unresolved problems, it is easy for those without direct access to the proceedings of the EAG and the daily decisions of the management of the Agency to conclude that little fundamental difference has been made since July. I, for one, believe that things have changed already and that further substantial change will occur in the next several months.

34. In this regard, it is important to look at specifics. The long-standing desire for more unification and less parochialism in the Agency's four parts has been translated into a number of new appointments to senior posts--appointments of individuals from different parts of the Agency and of individuals from outside. These initial top level appointments are leading to an increase in cross-directorate assignments at lower levels; we are determined to encourage this trend. The individuals on the SIGINT Task Force have been detached from their components and are reporting directly to me; they are developing an Agency position on SIGINT, rather than two Directorate positions that would have to be reconciled. The first Semi-annual report to the National Security Council on sensitive activities was reviewed by the EAG and revised in accordance with its instructions; this is precisely the sort of document that would have been handled bilaterally between the DCI and one Deputy in the past. Similarly, the EAG dealt collectively with the specific issues arising out of Congressional action on our 1977 budget. Also in the resource area, we are developing a prioritized list of those planned 1977 projects and expenditures of least value to the Agency as a whole, so that any funding adjustments we have to make during the year will reflect conscious choices about what to do and what to forego.

34. In summary, I believe we are making progress in meeting the terms of E.O. 11905; we have started in the new directions called for by Director Bush who seeks a "one-Agency" solution to past problems; we enjoy new and strong support within the Executive, in the Senate, and among the public at large; and we have the satisfaction of knowing that our daily, bread-and-butter work in support of the government has not been disrupted; that work continues and can be improved: Working together, improvement is assured.

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E. H. Knoche

Deputy Director of Central Intelligence

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Attached for your information are the following:

(1) Office of the Comptroller monthly reports to OMB for September and October 1976 on the Presidential Management Initiatives actions, and

(2) A memorandum for Senior Agency Managers from the DDCI dated 28 October 1976, Subject: Recent and Potential Changes in CIA Management

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